



Applied Economics Letters >

Volume 23, 2016 - Issue 4

698 | 6  
Views | CrossRef citations to date | Altmetric

Original Articles

# Patents and R&D expenditure effects on equity returns in pharmaceutical industry

Martina Feyzrakhmanova & Constantin Gurdgiev

Pages 278-283 | Published online: 05 Aug 2015

Cite this article <https://doi.org/10.1080/13504851.2015.1071460>

Check for updates

Sample our  
Economics, Finance,  
Business & Industry Journals  
**>> Sign in here to start your access  
to the latest two volumes for 14 days**

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

## ABSTRACT

As costs of pharmaceutical R&D soar and productivity falls, the role of research pipelines in firm valuations is changing. To date, surprisingly little work has been published on the effects of R&D pipeline performance on equity returns, while controlling for coincident factors, such as legacy patents and presence of blockbuster drugs in production. Using 1996–2013 data for nine largest pharmaceutical companies in the world, this article assesses the role of the above factors on returns to pharmaceutical companies equity. We show significant positive link between changes in the number of blockbusters on patent six months prior and returns in excess of pharmaceutical equity index. The number of patents granted by United States Patent and Trademark Office in a quarter is also a significant factor. On the other hand, we find that increases in R&D expenditure in large-cap pharmaceutical companies are viewed negatively by investors in the short term.

## KEYWORDS:

Blockbusters

patents

pharmaceutical industry

equity returns

R&D spending

factor analysis

## JEL CLASSIFICATION:

G12

G32

## Notes

<sup>1</sup> See Herper ([2011b](#))

## Related research

People also read

Recommended articles

Cited by  
6

## Information for

Authors

R&D professionals

Editors

Librarians

Societies

## Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

## Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

## Help and information

Help and contact

Newsroom

All journals

Books

## Keep up to date

Register to receive personalised research and resources  
by email

 Sign me up

  

  

Copyright © 2026 Informa UK Limited Privacy policy Cookies Terms & conditions

Accessibility



Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG